

**SUMMARIZED MINUTES
CITY OF SCOTTSDALE AUDIT COMMITTEE
TUESDAY, DECEMBER 12, 2006**



**KIVA CONFERENCE ROOM, FIRST FLOOR, CITY HALL
3939 NORTH DRINKWATER BOULEVARD
SCOTTSDALE, AZ 85251**

MEMBERS PRESENT: Committee Chairman Lane
Committee Member Ecton
Committee Member McCullagh

CITY STAFF PRESENT: Cheryl Dreska, City Auditor
Neal Shearer, Assistant City Manager
Kyla Anderson, Audit Associate
Lisa Blyler, Assistant to Mayor & Council
Gail Crawford, Internal Auditor
Lisa Murphy, Accounting Director

OTHERS PRESENT: Brian Powell, Scottsdale Tribune

CALL TO ORDER/ROLL CALL

Chairman Lane called the Audit Committee meeting to order at 1:30 p.m. Roll call was taken confirming the presence of all Committee members.

MINUTES - Approval of November 13, 2006, Committee Meeting Minutes

Committee Member Ecton made a motion to approve the November 13, 2006, minutes. Committee Member McCullagh seconded the motion. The minutes were approved by a unanimous vote of three (3) to zero (0).

GENERAL BUSINESS

Agenda Item 1 - Discuss Draft Audit Report - Travel Expenditures

City Auditor Cheryl Dreska presented the draft audit of travel expenditures, stating that it was mainly an audit of compliance with the administrative regulations governing travel costs. The audit tested random expenditures from 2006. One of the main points of the report is the need for additional training. Employees need to understand that advance approval is required prior to taking a City vehicle out of state.

Chairman Lane asked for details of the items listed under improvements for consideration. Ms. Dreska explained the IRS requirements with regard to per diems and the challenge of documenting pro-rated per diems when an employee travels by vehicle (City vehicle or their own) and has no itinerary issued by a common carrier. The same situation applies to documentation for mileage traveled. Ms. Dreska opined that this is one of the struggles the City has as an organization, to gather the necessary information

without burdening employees. Committee Member Ecton commented that he thought the audit was good and that procedures need to be tightened up a little. Committee Member McCullagh opined that there is always a balance to be struck between the cost of training and the value of the training. Accounting Director Lisa Murphy added that one employee in accounts payable is designated to review all travel and has developed a level of expertise.

Agenda Item 2 - Discuss Draft Audit Report - Purchasing Card Program

Internal Auditor Gail Crawford presented a brief overview of the draft audit, which tested sixty random cardholders. For the most part, cardholders were found to be complying with policies. Minor issues of non-compliance were detailed in a separate document to management and discussed with them at an exit conference. During the audit, one material instance of non-compliance was found. There was one practice that warranted change in which the Purchasing Manager took immediate action to correct.

Committee Member McCullagh asked about the one material instance of non-compliance. Ms. Dreska responded that an employee charged travel associated with his spouse and then repaid the amount. Committee Member McCullagh asked whether cards have been retrieved from employees because of misuse. Ms. Murphy replied that in these cases they usually go through disciplinary action. The actual number of cases is very small. Policy violations are usually detected quickly because of the layers of control that are in place.

Assistant City Manager Neal Shearer concurred, adding that Scottsdale was one of the initial organizations in the Valley that began to use purchasing cards for more efficient purchasing. He is very pleased with the audit results which are reflective of the controls that are in place.

Committee Member Ecton asked whether it would be considered a violation if an employee took their spouse along while traveling on City business but did not use the City purchasing card. Mr. Shearer replied that there is no problem unless a City resource is used to accommodate the spouse's travel. Discussion ensued. Ms. Dreska assured the Committee that the purchasing cards are not to be used for any personal items at all and have very stringent limits. Committee Member Ecton opined that this is a great audit report. Ms. Murphy added that a further control in the accounting department is that an Accounting Coordinator reviews the requests for adjustments each month to make sure that expenditures are being appropriately recorded.

Agenda Item 3 - Discuss Status of Current Projects

a. Controls Over Tracking Code Enforcement Citations and the Maintenance of the City Abatement Fund

Ms. Dreska reported that management responses on the draft report are due today.

b. Cab Connection Program

Ms. Dreska reported that the work on the Cab Connection program audit has been completed. Staff anticipates having the draft to management by December 22.

c. Cash Handling Audits

Ms. Dreska stated that staff have completed four random cash audits and are now drafting the compiled report.

d. WestWorld Financial Audit

Staff are scheduled to be on site this week to test revenues and documentation of event folders. They anticipate having a draft report to management by the second week in January.

Chairman Lane asked whether any aspect of this audit has been slated until after the nomination of a new general manager. Ms. Dreska replied that the Audit Committee would decide whether to conduct another audit next year.

Committee Member Ecton asked whether there are petty cash situations in the City. Ms. Dreska explained that the auditors identified all of the sites that have cash on site and conducted a random selection of those sites. If the randomly selected sites have petty cash, that is also audited.

Agenda Item 4 - Discuss Development of 2007 Audit Plan

Ms. Dreska noted they plan to bring back a proposed list to the next meeting. The City Manager will review the list before it is presented to the Committee. Committee Member McCullagh asked whether departments are cooperative while being audited. Ms. Dreska replied that departments are cooperative although the audit represents a demand on their time. She believes that staff do their best to manage priorities and cooperate in internal audits.

PUBLIC COMMENTS

None.

COMMITTEE COMMENTS

None.

ADJOURNMENT

With no further business to discuss, Committee Member Ecton made a motion to adjourn the public meeting of the Audit Committee. Committee Member McCullagh seconded the motion and the motion carried. The Audit Committee meeting was adjourned at 1:50 p.m.

Submitted by

A/V Tronics, Inc.

Reviewed by

Cheryl Dreska
City Auditor